

AR14

1966

CENTRAL-DEL RIO OILS LIMITED / 20TH ANNUAL REPORT 1966

2/2



#### **Annual Meeting**

The Annual Meeting of the Shareholders of the Company will be held at the Palliser Hotel, Calgary, Alberta, at 10 a.m. on Tuesday, April 18, 1967. Notice of meeting and a proxy form have been mailed to each registered shareholder with this Report.

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# CENTRAL-DEL RIO OILS LIMITED / 20TH ANNUAL REPORT 1966



First Half

1965

## CONSOLIDATED FINANCIAL AND OPERATING SUMMARY

1	\$3,558,226
9	*826,380
0	<u>4,384,606</u>

June 30	December 31
1966	1965

### Financial

7	674,018	Working capital . . . . .	\$ 4,894,674	\$ 5,094,703
3	404,461	Fixed assets—net . . . . .	32,593,048	31,161,258
0	313,000	Miscellaneous . . . . .	1,099,871	933,206
0	<u>1,391,479</u>	Total assets—net . . . . .	<u>\$38,587,593</u>	<u>\$37,189,167</u>
0	2,993,127	Capital stock . . . . .	\$27,680,323	\$27,606,657
0	<u>1,291,825</u>	Surplus . . . . .	<u>10,907,270</u>	<u>9,582,510</u>
0	1,701,302	Shareholders' investment . . .	<u>\$38,587,593</u>	<u>\$37,189,167</u>
0	<u>163,000</u>			
0	<u>\$1,538,302</u>			

Second Quarter	First Half
1966	1965

46¢	Operating			
23¢	Net oil sales—barrels . . .	981,231	800,874	1,946,274
\$ 983,601	Daily average—barrels . . .	10,783	8,801	10,753
15¢				8,586

# CENTRAL-DEL RIO OILS LIMITED



## INTERIM REPORT

FIRST HALF AND  
SECOND QUARTER 1966

### First Half

*fsl*

■ Net profit \$1,850,650 —

up 20%

■ Cash generated \$3,339,650 —

up 12%

■ Net oil sales 1,946,274 barrels —

up 25%

■ Net oil sales revenue \$4,454,711 —

up 25%

■ Land holdings 2,896,277 net acres —

up 15%

### TO THE SHAREHOLDERS:

The high levels of production and earnings established by the Company in the closing months of 1965 have been more than maintained through June 30 of this year.

Net Profit for the First Half of 1966 was \$1,850,650, or 28 cents per share, 20% above the \$1,538,302, or 23 cents per share, recorded in the opening six months of last year.

Cash Generated from Operations in the same period amounted to \$3,339,650 (51 cents per share) as compared with \$2,993,127 (46 cents per share) in the first half of 1965. This is a 12% improvement.

Both net profit and cash generated in the second quarter of this year were fractionally lower than in the corresponding period of 1965, because in last year's second quarter the Company realized an unusual gain of \$332,835 on the sale of marketable securities, while no non-recurring item is included in income for the three months ended June 30, 1966. However, increased crude oil sales revenues were nearly sufficient to compensate. The comparative net profit figures are \$934,525 for the second quarter of 1966 and \$944,523 for that period of 1965. Cash earnings in the second quarter of 1966 were \$1,696,525, as compared with the \$1,730,324 generated in the same three months of the previous year.

Revenues of \$4,454,711 from Crude Oil Sales (up 25%) and \$526,369 from investments and other sources (down 36%) in the six months ended June 30 this year, as against the \$3,558,226 and \$826,380 received in the same categories in the first half of 1965, produced gross income of \$4,981,080 (up 14%). Last year's first half gross was \$4,384,606. The improvement in gross income for the second quarter of the year was 4%, from \$2,445,379 in 1965 to \$2,545,512 in 1966.

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## CENTRAL-DEL RIO OILS LIMITED

Expenses of \$1,641,430 for the first six months of 1966 were up 18% from the \$1,391,479 incurred in the same period of 1965. Second quarter expenses this year were \$848,987, as against last year's charge of \$715,055 for the three months. The increased level of expense is a reflection of the larger number of wells operated by the Company.

**Net Crude Oil Sales of 1,946,274 Barrels,** averaging 10,753 barrels per day in the first six months of 1966, were 25% above the total of 1,554,054 barrels and daily average of 8,586 sold in the opening half of the previous year. Sales in the three months ended June 30, 1966 aggregated 981,231 net barrels and averaged 10,783 barrels per day, as compared with second quarter sales of 800,874 barrels, or 8,801 daily, in 1965.

Central-Del Rio's land acquisition, exploration and development costs in the first six months of 1966 were \$2,302,969, exceeding last year's first half expenditures of \$1,288,961 in those categories by more than \$1,000,000. Still, the Company was not able to carry out as large a program as had been planned because Spring break-up extended over a much longer than usual period in all our areas of activity. Second quarter operations this year, involving the expenditure of \$706,119, were at a slightly higher level than in the comparable period of 1965, when the outlay was \$619,212.

**Adding 373,688 Acres (15%)** to its net land holdings since December 31, 1965, the Company held 2,896,277 net acres at mid-1966. At the end of the first half of last year the net was 1,918,500 acres.

Costs of all drilling and other exploratory work and of the new lands were met with internally generated funds and, at June 30, 1966, working capital stood at \$4,894,674, down approximately \$200,000 from the \$5,094,703 on hand at the end of the preceding year.

The semi-annual dividend of 8 cents per share (\$525,890 total) was paid on June 15, 1966 to shareholders of record May 18.

Adverse weather and surface conditions restricted Central-Del Rio's drilling starts to 11 in the second quarter of 1966 and operations had been completed in only 6 of the wells by the end of the period. One of these is an oil well and the other 5 were dry and abandoned. Therefore, results for the half-year were 31 wells commenced, 9 oil wells and 1 gas well completed, 16 dry holes and 5 wells drilling through June 30.

Mr. G. H. Allen, Q.C., of Calgary, who had been a director of Central-Del Rio and its legal counsel since the Company's inception in 1947, was honored recently by appointment to the Appellate Division of the Supreme Court of Alberta, which necessitated his resignation. Mr. Allen's services and advice have been of inestimable value to the Company and his absence from meetings will be felt acutely by your directors, who wish him a long, enjoyable and distinguished new career. Mr. F. V. Stone, a prominent Montreal executive, has accepted appointment as a director of Central-Del Rio, filling the vacancy. All other members welcome Mr. Stone to the Board, confident that he will make a strong contribution to planning for the Company's continued success.

Field activities are now well under way in several areas which could not be worked until recently and it is expected that increased effort will result in completion of the large program planned for the year.

President

Calgary, Alberta  
August 2, 1966

**CENTRAL-DEL RIO OILS LIMITED**  
**CONSOLIDATED STATEMENT OF PROFIT AND LOSS**

	Second Quarter		19
	1966	1965	
<b>Income:</b>			
Crude oil sales, less royalties paid . . . . .	\$2,264,726	\$1,829,547	\$4,45
Other—fees, investment and miscellaneous . . . . .	280,786	*615,832	52
	2,545,512	2,445,379	4,98
<b>Expenses:</b>			
Production and field . . . . .	485,516	357,293	88
Administrative and general . . . . .	222,471	200,012	47
Lease rentals . . . . .	141,000	157,750	28
	848,987	715,055	1,64
<b>Cash Generated from operations</b> . . . . .	<b>1,696,525</b>	<b>1,730,324</b>	<b>3,33</b>
Depreciation and depletion . . . . .	692,000	662,801	1,38
<b>Net profit before providing for taxes on income</b> . . . . .	<b>1,004,525</b>	<b>1,067,523</b>	<b>1,95</b>
Provision for taxes on income . . . . .	70,000	123,000	10
<b>Net profit for the period</b> . . . . .	<b>\$ 934,525</b>	<b>\$ 944,523</b>	<b>\$1,85</b>
Cash generated per share . . . . .	26¢	26¢	5
Net profit per share . . . . .	14¢	14¢	28
**Cash dividend paid . . . . .	\$ 525,890	\$ 983,601	\$ 52
per share . . . . .	8¢	15¢	8

\* includes a gain of \$332,835 on sale of marketable securities.

\*\* a further dividend of 8c per share has been declared payable December 15, 1966 to shareholders of record November 17, 1966.

# CENTRAL-DEL RIO OILS LIMITED / 20TH ANNUAL REPORT 1966



## Highlights

### Financial

	% Change	1966	1965
Income . . . . .	+15.2	\$10,206,845	\$ 8,858,366
Cash generated from operations, before income taxes . . . . .	+12.1	\$ 7,234,855	\$ 6,452,809
Per share . . . . .	+12.2	\$ 1.10	98c
Net Profit . . . . .	+24.4	\$ 4,077,899	\$ 3,277,704
Per share . . . . .	+24.0	62c	50c
Cash dividends paid . . . . .	+54.9	\$ 1,515,781	\$ 978,745
Per share . . . . .	+53.3	23c	15c
Capital invested . . . . .	+ 7.4	\$39,931,616	\$37,189,167
Rate of return . . . . .	+ 7.2	10.22%	9.53%
Working capital . . . . .	-29.5	\$ 3,593,651	\$ 5,094,703
Expenditures on lands, exploration and development . . . . .	+48.6	\$ 6,520,632	\$ 4,389,292

### Operating

Net oil sales – barrels . . . . .	+14.0	3,843,505	3,370,055
Daily average – barrels . . . . .	+14.0	10,530	9,233
Net oil wells . . . . .	+ 7.2	196.09	183.00
Net gas wells . . . . .	+ 3.6	10.31	9.95
Net land holdings – acres . . . . .	+24.0	3,137,389	2,522,589

## Central-Del Rio's Officers



NEIL McQUEEN  
Chairman of the Board



JOHN F. HARDY  
President and General Manager



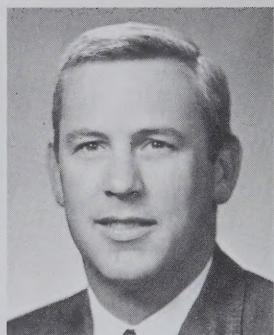
D. L. REDMAN  
Vice President - Project Economics



R. W. BURNS  
Vice President - Exploration



C. M. MACINNES  
Vice President - Administration



M. C. MCKINNON  
Vice President - Operations



A. BARRY BEAVEN  
Secretary



V. B. WATSON  
Treasurer



W. G. HOLT  
Assistant Secretary



W. A. HEATER  
Assistant Treasurer



Meeting at Calgary are Central-Del Rio directors, left to right, D. L. Redman, R. C. Carlile, J. C. Ross, H. G. Gammell, John F. Hardy, Neil McQueen, F. V. Stone and G. J. van den Berg. Not shown is director Donald Winston.

## Directors' Report to the Shareholders

Your directors are pleased to report that in 1966, its 20th year of operations, Central-Del Rio Oils Limited produced and sold more oil than ever before, with the result that earnings reached a new high and dividends were raised for the second time in 3 years.

Oil sales increased 14% to an average of more than 10,500 barrels per day, net profit gained 24% to 62 cents per share, passing the \$4 million mark for the first time, and dividends of 23 cents per share were 53% more than the previous year's payment. The advance in profit, in a period of rising costs, was particularly gratifying because of its orientation to oil production. It included no special items of income, whereas 1965 earnings, \$800,000 lower, reached their then record level with the aid of a  $\frac{1}{3}$  million gain on the sale of investments.

New wells at Weyburn, Flat Lake, Lake Alma and other locations in southeastern Saskatchewan, a well stimulation program at Flat Lake and a 3 cent per barrel average price increase more than made up for a slight reduction in the volume of oil sales from the Weyburn Unit, still the Company's main source of revenue.

As noted previously, costs were up. The 30% increase in production and field expenses was greater than would normally be expected in relation to

a 14% improvement in crude oil output. This anomaly, which stemmed principally from the high cost of repairing water injection pumps at the Weyburn Unit central plant and new well and work-over costs at Flat Lake, is not expected to be so significant a factor in 1967 results. Administrative and general expenses were also higher, but the 11½% rise was commensurate with staff increase and the enlargement of administrative facilities, including new office space.

Cash generation was up 12%, to nearly \$7¼ million (\$1.10 per share). This enabled the Company to carry out a much enlarged land acquisition and exploration program and to increase the distribution to shareholders without resorting to new financing. Working capital, although down 29½% over the year, remained strong at more than \$3½ million.

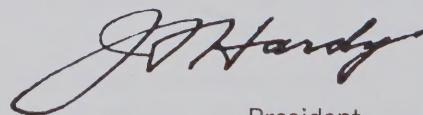
Improving its potential for future growth, Central-Del Rio added to its land holdings and extended its exploratory activities in 1966. Although the total of wells drilled was smaller than in the previous year, more wildcat wells were drilled and seismic and other exploratory work was quintupled. The large expenditure in this program purchased knowledge which will sharpen the focus of the Company's search for new production in various areas and, at the same time, was instrumental in eliminating income tax liability for the year.

Large Keg River reef oil discoveries made by the industry in northwestern Alberta during the past 2 years, adding greatly to known reserves and productive capacity, have caused some recent expressions of doubt about marketing prospects. Your directors agree that the industry and the nation must continue to press for new and larger outlets for crude oil, but do not share the fear that they may not be forthcoming. United States demand continues to rise, while the country's domestic supply appears to have reached a plateau. The requirements of the Chicago-Detroit-Toledo area, in particular, are increasing rapidly, and it is reasonable to expect that a large part of that demand will be met by Canadian crude, notwithstanding plans for a new pipeline to carry U.S. Gulf Coast oil to the Midwest. Central-Del Rio is and will continue to be deeply involved in the search for oil in the Keg River reef and other geological formations which offer large-reserve discovery prospects, including the Devonian Nisku (D-2) in Saskatchewan, commercially productive for the first time in 1966 as the result of a discovery in the Hummingbird area, roughly 10 miles to the northwest of your Company's Lake Alma wells.

Central-Del Rio's able and aggressive staff continued the fine performance of past years, without which the success enjoyed by the Company could not have been achieved. Again, all members of the group deserve our thanks and congratulations.

On behalf of the Board of Directors,

Calgary, Alberta  
March 7, 1967



President

## Financial Review

Two recently adopted accounting modifications, with no material effect on over-all results, are reflected in the financial information contained in this report. One of these is a matter of presentation, involving the reclassification of certain items of revenue, not necessarily related to Central-Del Rio's principal operations, which are considered to be of a non-recurring or unusual nature or which are likely to vary considerably in amount from year to year and so obscure trends. These will now be treated as "special items". The other change is a refinement of the "full cost" accounting policy adopted by the Company in 1964, under which all land acquisition, drilling and exploration costs are capitalized and then amortized over the years by a unit of production method based on remaining recoverable reserves. Central-Del Rio was among the first in the industry to adopt this policy, which was then in a formative stage. At that time, it was decided to continue to expense lease rentals on non-producing properties in the year of payment, rather than to capitalize them. A recent review of the "full cost" accounting policies of many other companies reveals, however, that capitalization of lease rentals has become the generally accepted practice. Accordingly, in the interest of comparability, Central-Del Rio has capitalized non-producing property lease rentals for 1966 and will continue that practice in subsequent years. No retroactive adjustment has been made, because the effect on previous years' results is considered not to be material. Lease rentals for 1965 and prior years are added to depletion instead of being shown as a separate item.

Both net crude oil sales revenues and income from other sources, excluding special items, rose in the year under review by more than 15% from the levels attained in 1965, producing an equivalent increase in total income, from \$8,858,366 to \$10,206,845. With royalty payments deducted, receipts from the sale of oil in 1966 were \$9,035,690, as against the \$7,844,781 recorded in that category for the previous year, while other income, totalling \$1,171,155, was up by \$157,570.

Production and field expenses, at \$2,012,-982, were 30% higher in 1966 than the \$1,546,211 incurred in the preceding twelve-month period. The increase in administrative and general expenses was 11½%, from \$859,346 to \$959,008.

After all cash expenses, the Company's operations during the year generated cash income of \$7,234,855, or \$1.10 per share, which exceeded by 12% the \$6,452,809, or 98 cents per share, generated in 1965. Central-Del Rio issued 23,330 shares from treasury in 1966, raising the total outstanding from 6,580,324 to 6,603,654.

Because of increased production and larger expenditures on lands, exploration and development, depletion was up \$135,565, to \$2,535,-456, approximately 6% more than the amount charged in 1965. Outlays for plant and equipment were almost the same in 1966 as in the previous year, and the depreciation charge rose only 2%, from \$609,214 to \$621,500.

With no special items of income in 1966 (\$332,835 in 1965) and no income tax liability for the year, the Company's net profit was \$4,077,899, as against \$3,277,704 in 1965, an improvement of more than 24%. On a per share basis, the comparative figures are 62 cents for 1966 and 50 cents for the previous year.

Dividends received by shareholders during the year totalled \$1,515,781, or 23 cents per share, up 53% from the \$978,745, or 15 cents per share, paid in 1965. Departing from the policy, established in 1960, of making a single annual distribution of 10 cents per share (with an extra 5 cents in 1964 and 1965) the Company, in 1966, made semi-annual 8 cent payments in June and December, the latter supplemented by an extra 7 cents.

Working capital at December 31, 1966 was \$3,593,651, down 29½% from the year's starting figure of \$5,094,703 as a result of heavier investment in lands, exploration and development.

## Review of Activities and Holdings



### Wells and Production

Central-Del Rio drilled or participated in the drilling of 57 wells in 1966. Nineteen were completed for oil production, 2 have been capped as gas wells awaiting market, 32 were abandoned and 4 had not reached total depth at the year-end. The Company holds working interests in 17 of the new oil wells, selling production from them for its own account, and receives monthly cash royalties related to production from the others. Twelve of the oil wells are wholly-owned by Central-Del Rio.

At December 31, 1966, after abandonment or sale of certain wells which were no longer considered economically productive, the Company owned 196.09 net working interest oil wells, 13.09 more than at the beginning of the year, while net gas wells totalled 10.31, up slightly from the 9.95 held at the end of 1965.

Although 2 new royalty interest oil wells were completed on Central-Del Rio's lands during the year, abandonments outweighed them,

reducing the Company's royalty interest oil well total from 45 to 43. Royalty interest gas wells numbered 3 at the year-end, unchanged from December 31, 1965.

Supplementing revenue from the wells mentioned above was \$100,000 of dividend income received in 1966 because of our 50% share ownership in Minerals Ltd., an active and growing company which derives increasing profit from working and royalty interests in 296 oil wells on its 3/4 million acres of mineral title lands in Saskatchewan.

Development drilling in 1966 was concentrated mainly in southeastern Saskatchewan, particularly in the Flat Lake area, where 9 Mississippian oil producers were brought in, raising our net field total to just under 19 wells. The Company's pre-eminent landholding position at Flat Lake has enabled it to exercise unfettered geological control in the selection of drilling locations, with the result that none of the 24 wells drilled to date has failed to find oil production. Central-Del Rio's sales of over 417,000 barrels from this field in the year under review were more than 8 times the 1965 volume and made up approximately 11% of total sales. A well stimulation program, to raise production, was initiated at Flat Lake in 1966 and the feasibility of reservoir pressure maintenance, to boost the output further and increase total ultimate recovery, is now being studied.

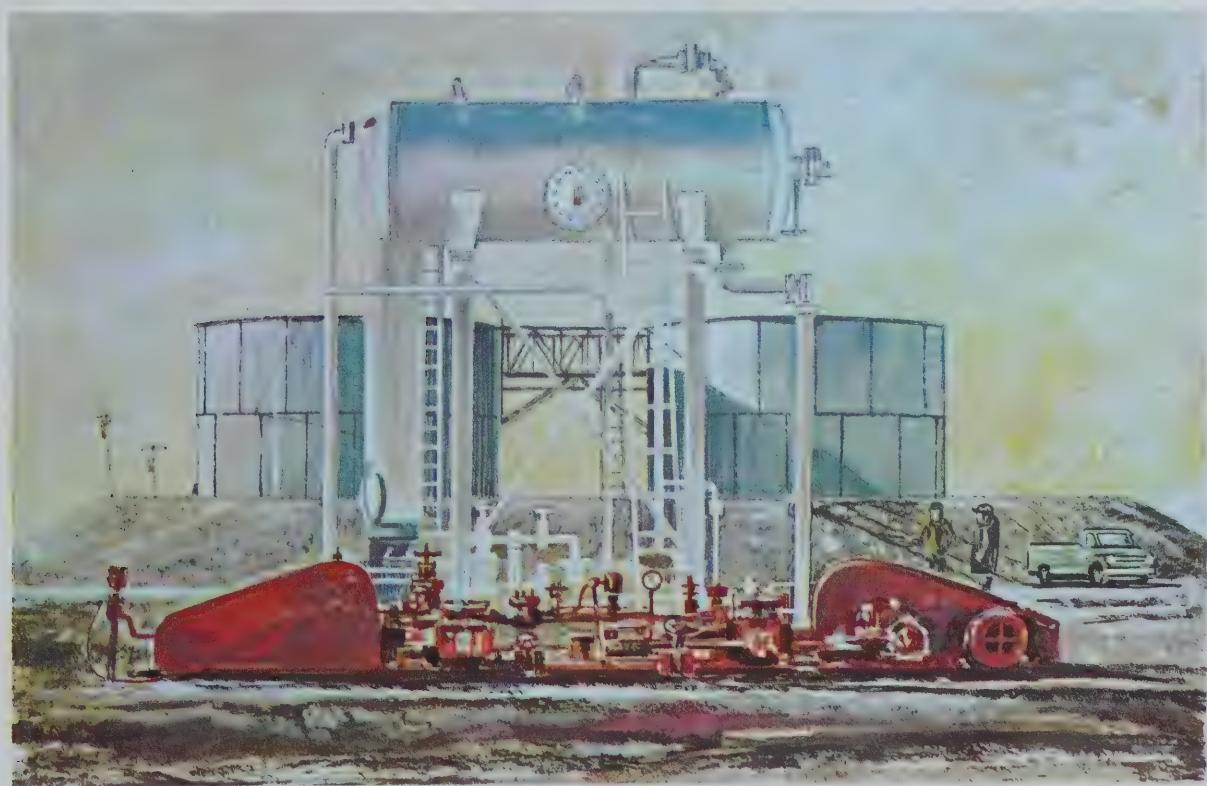
One new Oungre zone oil well was added in 1966 to the 4 drilled in the previous year at Lake Alma, near Flat Lake. This small but prolific pool, with output increased 43%, also continued to make a valuable contribution to the Company's production. Here, again, pressure maintenance is under consideration.

Step-out drilling 2 miles west of the Weyburn oil field resulted in the completion in 1966 of 4 good Mississippian oil wells, wholly-

owned by Central-Del Rio. The Company has land surrounding this new source of production and is planning additional development work for 1967.

Weyburn Unit oil sales were down approximately 1%, to 2,819,000 barrels, due mainly or entirely to mechanical difficulties, now corrected, which reduced the rate of water injection into the reservoir for several months. It is possible, however, that peak production from the field has been reached, and performance is being observed to determine whether or not the normal process of gradual decline began in 1966, contributing slightly to the reduction in output.

The year's increase in net oil sales from all fields was 14%, from the 3,370,055 barrel aggregate and 9,233 barrel daily average posted in 1965 to a total of 3,843,505 barrels, averaging 10,530 barrels per day, in 1966.





## Land and Exploration

### General

In 1966, Central-Del Rio again enlarged its land holdings and increased the pace and scope of its exploratory activities in western and northern Canada. Net acreage acquisitions totalled more than 300,000 in Saskatchewan, 150,000 in Alberta, 45,000 in British Columbia and 185,000 in the Northwest Territories. The number of exploratory wells drilled was 10 more than in 1965, and geological and geo-physical operations were increased by approximately 400%. Total expenditure on land acquisition, exploration and development was \$6,520,632, almost 1½ times the previous year's outlay. The wildcat drilling program added only slightly to the Company's productive capacity – 2 gas wells and one oil well – but good leads for future exploratory drilling and land acquisition were obtained from sub-surface information provided by the wells and the seismic work.

The accompanying tabular presentation shows the extent and general location of leased and reserved petroleum and natural gas rights under Central-Del Rio's control at the end of 1966. After allowing for all acreage additions and surrenders, gross land holdings rose from 4,337,925 to 4,949,226 acres during the year and the net increased from 2,522,589 to 3,137,389 acres. Net acreage was 63% of gross.

In addition to these holdings, the Company owns all-inclusive freehold mineral rights covering 17,432 net acres and has 152,885 net acres under permits granting rights to minerals other than petroleum and natural gas, the latter being held principally for potash.

### Saskatchewan

Of the 16 exploratory wells drilled during the year in the Province of Saskatchewan, 4 were located on the Company's large holdings at Flat Lake, 2 to 4 miles from the nearest oil production in the field. One of these tests resulted in a marginal oil well on wholly-owned land, which may indicate that intermediate locations, also on land held solely by Central-Del Rio, offer some promise.

Two wildcat wells drilled in 1966 on our 100,000 acre Bestville block in southwestern Saskatchewan were dry and abandoned, but seismic work carried out on this permit late in the year revealed several interesting features, one or more of which will probably be tested by further drilling in 1967.

The Company's Sceptre holdings, acquired in January, 1966 and consisting of 200,000 acres lying to the northwest of the Bestville lands, were also tested in the fall by 2 exploratory wells, neither of which found oil or gas. Our seismic and sub-surface information will be reviewed thoroughly before further drilling is undertaken on these properties.

During the year, a major oil company drilled 3 wells, at no cost to Central-Del Rio, on lands included in our 145,000 acre spread of leases



south of the City of Weyburn and west of the Weyburn oil field. These were unsuccessful. A fourth test is now in progress.

Seismic programs were completed in the fall at Central Butte and Thunder Creek, in the south-central area of the Province, where nearly 200,000 acres of the Company's lands are situated. This work will be followed up by drilling in the 1967 summer season.

A 100,000 acre petroleum and natural gas permit block located 60 miles north of the City of Saskatoon, in central Saskatchewan, was acquired by the Company in 1966. This acreage is on the Winnipegosis reef trend considered to be the geological equivalent of the Keg River reef, in which large oil discoveries have been made over the past 2 years at Rainbow and Zama Lakes, in northwestern Alberta. It is expected that detailed seismic work will be done on this land in 1967.

### Alberta

Seven exploratory wells were commenced in 1966 on the Company's Rainbow area holdings of more than 122,000 net acres. Five were unsuccessful, one found gas production and drilling of the other had not been finished at the year-end. Extensive seismic operations were carried out on these lands during the year and this work is still in progress, as are 3 wells started in 1967.

Central-Del Rio's Royce block, 60 miles west of the Town of Peace River in west-central Alberta, was increased in 1966 from 40,000 to 64,000 acres and a structural test hole program was completed on it in December. The results have been correlated with information from a well drilled on the land in 1965, indicating the desirability of further drilling this year.

Forty thousand acres were added in 1966 to the petroleum and natural gas reservation holdings near the Town of Peace River, purchased by the Company and an associate in the previous year, bringing the total joint acreage to 84,000. A seismic program was conducted on this land in 1966. Central-Del Rio also acquired a nearby reservation of 65,000 acres for its own account and drilled the initial test well on it, encountering oil and gas shows, but no commercial production. A further large seismic survey is planned for the jointly-owned property in 1967. Additional exploration work will also be carried out on our wholly-owned block during the year and a deep test well will

Province, Territory or State	LAND HOLDINGS		
	As At December 31, 1966		
	Gross Acres	Net Under Lease	Net Under Reservation
ALBERTA . . . . .	722,984	114,606	405,484
SASKATCHEWAN . . . . .	1,331,864	262,342	1,030,363
BRITISH COLUMBIA . . . . .	357,298	89,000	107,915
ONTARIO . . . . .	59,982	29,908	-
N.W.T. . . . .	789,346	-	604,233
ARCTIC ISLANDS . . . . .	1,601,224	-	447,013
LOUISIANA . . . . .	5,171	742	-
MONTANA . . . . .	2,985	1,492	-
NEW MEXICO . . . . .	2,305	546	-
NORTH DAKOTA . . . . .	76,057	43,745	-
	4,949,226	542,381	2,595,008

be drilled by the Company to earn an interest in lands abutting one of the reservations.

Geological work, geophysical surveys or deep test drilling helped in 1966 to evaluate other newly acquired or previously held lands near the Provost gas field in southeastern Alberta, near Snipe Lake, Lesser Slave Lake and Peace River in the central and west-central part of the Province and near Zama Lake in the northwest. Operations will be continued in these and other areas, including Fort Vermilion in north-central Alberta.

#### **British Columbia**

The Hazel-Evergreen area, adjacent to the Beatton River oil field, was the scene of 3 wild-cat drilling operations carried out by Central-Del Rio in northeastern British Columbia during the year. One of the holes was completed as a gas well and the others were abandoned. The Company holds approximately 4,400 net acres of land in this area.

Test wells, neither of them productive, were drilled in 1966 on the 108,000 acre Dawson Creek permit and on the 58,000 acre Chinchaga lease block, in the latter of which holdings Central-Del Rio has major oil company associates. These lands, which are on the Alberta border, approximately 125 miles apart, bracket the eastern side of the main oil and gas productive area of the Province. Although no field work will be done on either property this

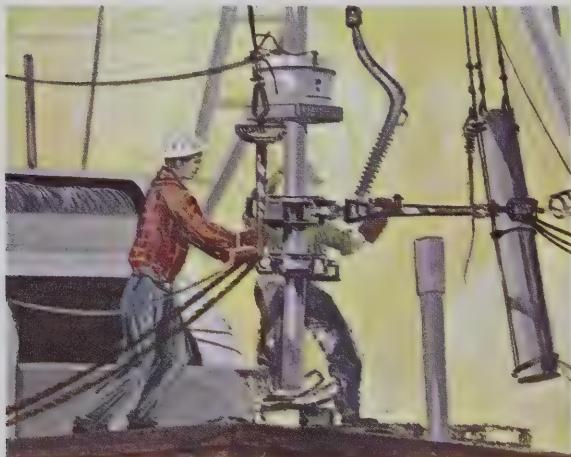


winter, both merit additional investigation in the light of the sub-surface information gained to date and will undergo further exploratory operations. Before spring, 2 wells will have been drilled by other companies close to the northeast edge of the Chinchaga block, which should assist our appraisal.

#### **Northwest Territories**

An aeromagnetic survey of the 419,000 acre Horn Mountain block, northwest of Great Slave Lake, was carried out late in 1966. The resulting maps, on preliminary inspection, reveal some interesting features. Further activity on the Horn Mountain lands awaits interpretation of the data gained from the survey and discussion with a company participating with Central-Del Rio in the venture.

The Company and an associate have entered into an agreement under which they have the right to earn a 50% interest in another 370,000 acres of land in the Northwest Territories, known as the Mills Lake block, immediately to the south of Fort Providence and 75 miles southeast of the Horn Mountain property. Based on seismic, magnetometer and other sub-surface information obtained from the major company with which the agreement was made, 3 wells are to be drilled at Mills Lake this winter.



# CENTRAL-DEL RIO OILS LIMITED

## Consolidated Statement of Profit and Loss

For the Year ended December 31, 1966  
 (with comparative figures for 1965)

	1966	1965
<b>Income:</b>		
Crude oil sales, less royalties . . . . .	\$ 9,035,690	\$ 7,844,781
Other – fees, investments and miscellaneous . . . . .	1,171,155	1,013,585
	<u>10,206,845</u>	<u>8,858,366</u>
<b>Expenses:</b>		
Production and field . . . . .	2,012,982	1,546,211
Administrative and general . . . . .	959,008	859,346
	<u>2,971,990</u>	<u>2,405,557</u>
<b>Cash generated from operations, before income taxes</b>	<b>7,234,855</b>	<b>6,452,809</b>
Depletion . . . . .	2,535,456	2,399,891
Depreciation . . . . .	621,500	609,214
	<u>3,156,956</u>	<u>3,009,105</u>
<b>Operating profit, before income taxes</b>	<b>4,077,899</b>	<b>3,443,704</b>
Provision for income taxes (Note 4) . . . . .	–	498,835
<b>Net operating profit</b>	<b>4,077,899</b>	<b>2,944,869</b>
Special item:		
Gain on sale of marketable securities . . . . .	–	332,835
<b>Net profit, including special item</b>	<b>\$ 4,077,899</b>	<b>\$ 3,277,704</b>

## Consolidated Statement of Surplus

Balance, beginning of year . . . . .	\$ 9,582,510	\$ 7,283,551
Add – Net profit, including special item . . . . .	4,077,899	3,277,704
	<u>13,660,409</u>	<u>10,561,255</u>
Less - Cash dividends of 23c per share (1965 – 15c per share) . . . . .	1,515,781	978,745
Balance, end of year . . . . .	<u>\$12,144,628</u>	<u>\$ 9,582,510</u>

The accompanying notes to consolidated financial statements form an integral part of these statements

# CENTRAL-DEL R

## Consolidated Balance S

(with comparative figures)

Assets	1966	1965
<b>Current Assets:</b>		
Cash . . . . .	\$ 139,122	\$ 120,897
Accounts receivable . . . . .	2,394,224	2,503,032
Short term investments . . . . .	2,600,000	4,100,000
Marketable securities, at cost (quoted market value 1966 – \$481,676, 1965 – \$410,575) . . . . .	419,257	374,995
Inventory of materials and supplies, at cost . . . . .	153,678	127,620
Prepaid expenses . . . . .	<u>7,307</u>	<u>17,134</u>
	<u>5,713,588</u>	<u>7,243,678</u>
<b>Drilling, Reservation and Other Deposits</b> . . . . .	<u>148,057</u>	<u>108,986</u>
<b>Fixed Assets</b> , at cost:		
Lands, leases and well costs . . . . .	42,685,688	37,588,873
Plant and equipment . . . . .	<u>7,786,164</u>	<u>7,173,107</u>
	<u>50,471,852</u>	<u>44,761,980</u>
Less – Accumulated depletion and depreciation . .	<u>15,106,164</u>	<u>13,600,722</u>
	<u>35,365,688</u>	<u>31,161,258</u>
<b>Investment in Affiliated Company</b> , at cost:		
Minerals Ltd. . . . .	688,306	688,306
<b>Other Investments</b> , at cost . . . . .	<u>135,914</u>	<u>135,914</u>
	<u><u>\$42,051,553</u></u>	<u><u>\$39,338,142</u></u>

The accompanying notes to consolidated financial statements form an integral part of this statement

# D OILS LIMITED

Sheet - December 31, 1966

(figures for 1965)

## Liabilities

	1966	1965
<b>Current Liabilities:</b>		
Accounts payable . . . . .	\$ 1,923,647	\$ 1,645,060
Accrued wages and holiday pay . . . . .	17,471	14,763
Royalties payable . . . . .	178,819	178,128
Income taxes payable . . . . .	-	311,024
	<hr/> 2,119,937	<hr/> 2,148,975

## Shareholders' Investment:

Capital stock –		
Authorized –		
10,000,000 shares without nominal or par value		
Issued and fully paid – (Note 3)		
6,603,654 shares (December 31, 1965, 6,580,324 shares) . . . . .	27,786,988	27,606,657
<b>Surplus</b> , as per consolidated statement of surplus . . .	12,144,628	9,582,510

Approved on behalf of the Board:



Director



Director

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\$42,051,553

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\$39,338,142

The Auditors' Report is attached to this Balance Sheet

# CENTRAL-DEL RIO OILS LIMITED

## Consolidated Statement of Source and Application of Funds

For the Year ended December 31, 1966  
 (with comparative figures for 1965)

	1966	1965
<b>Source of funds:</b>		
Cash generated from operations, before income taxes . . .	\$ 7,234,855	\$ 6,452,809
Less – Provision for income taxes . . . . .	–	498,835
	<hr/> 7,234,855	<hr/> 5,953,974
Special item:		
Gain on sale of marketable securities . . . . .	–	332,835
Proceeds from issue of capital stock . . . . .	180,331	509,080
	<hr/> \$ 7,415,186	<hr/> \$ 6,795,889
<b>Application of funds:</b>		
Capital expenditures:		
Lands, leases and well costs . . . . .	\$ 6,520,632	\$ 4,389,292
Plant and equipment . . . . .	840,754	855,481
	<hr/> 7,361,386	<hr/> 5,244,773
Increase in drilling, reservation and other deposits . . .	39,071	60,554
Payment of dividends . . . . .	1,515,781	978,745
Increase (decrease) in working capital . . . . .	(1,501,052)	511,817
	<hr/> \$ 7,415,186	<hr/> \$ 6,795,889

The accompanying notes to consolidated financial statements form an integral part of this statement

# CENTRAL-DEL RIO OILS LIMITED

## Notes to Consolidated Financial Statements

December 31, 1966

### NOTE 1 – Accounting Practices:

The companies follow the full cost method of accounting and capitalize all costs of exploring for and developing oil and gas reserves. Such costs include lease acquisition costs, geological and geophysical expenditures, lease rentals on non-producing properties and costs of drilling both productive and non-productive wells. These costs are amortized using a composite unit of production method based on the total estimated remaining recoverable drilled proven reserves. No gains or losses are ordinarily recognized upon the sale or disposition of oil or gas properties except under circumstances which result in major disposals of reserves. Costs of plant and equipment are depreciated over the estimated service life of each group of assets.

In 1966, the companies modified their procedures with respect to lease rental costs on non-producing properties. These expenditures, which were previously charged against income as incurred, are now capitalized and amortized in the manner outlined above. This modification has no material effect on the 1966 financial statements. For comparative purposes, 1965 lease rental costs have been assembled with depletion.

### NOTE 2 – Share Options Outstanding:

Options were outstanding at December 31, 1966 granting certain officers and employees the right to purchase 151,988 shares of the company at prices ranging from \$7.25 to \$11.95 per share. The options are exercisable from time to time on a cumulative basis and expire in the years 1967 to 1972.

### NOTE 3 – Capital Stock Issued:

During the year 23,330 shares of the capital stock of the company were issued under share option plans for a cash consideration of \$180,331.

### NOTE 4 – Income Taxes:

For purposes of determining taxable income, the companies claim the maximum allowable deductions for lands, leases and well costs, depreciation and depletion, which deductions are in excess of those charged in the accounts. As a result no income taxes are payable for the year ended December 31, 1966.

### NOTE 5 – Executive Remuneration:

Remuneration paid to directors and officers during 1966 amounted to \$231,573.

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### Auditors' Report

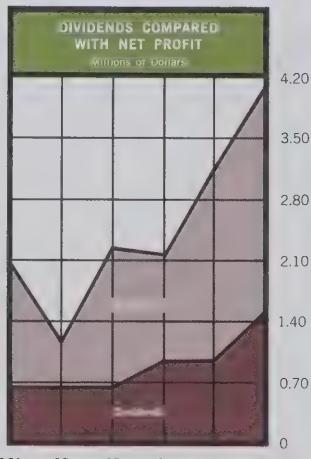
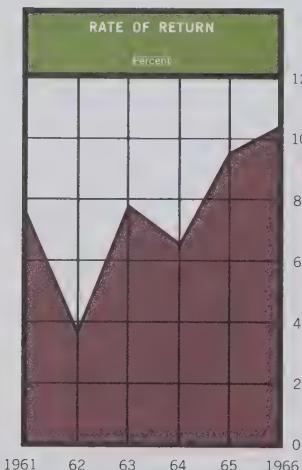
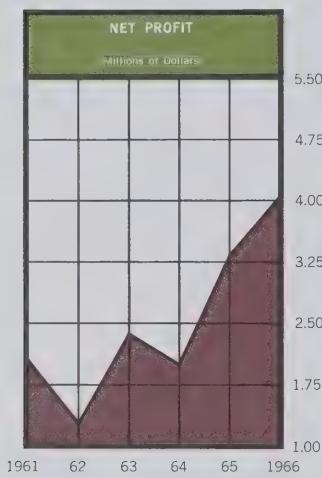
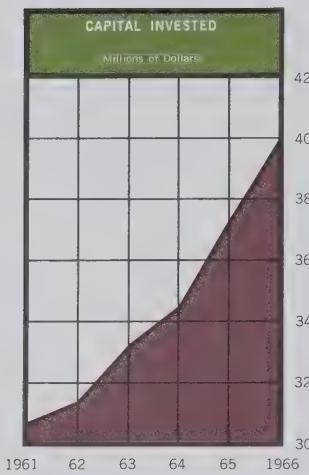
TO THE SHAREHOLDERS OF CENTRAL-DEL RIO OILS LIMITED:

We have examined the consolidated balance sheet of Central-Del Rio Oils Limited and its subsidiary company as at December 31, 1966 and the consolidated statements of profit and loss and surplus and source and application of funds for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company and its subsidiary as at December 31, 1966 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta  
February 14, 1967

PRICE WATERHOUSE & CO.  
Chartered Accountants



# CENTRAL-DEL RIO OILS LIMITED

## Six-Year Statistical Summary (Note)

### FINANCIAL

	1966
Net oil sales income . . . . .	\$ 9,035,690
Other income . . . . .	\$ 1,171,155
Total income . . . . .	\$10,206,845
Production and field expense . . . . .	\$ 2,012,982
Administrative and general expense . . . . .	\$ 959,008
Cash generated from operations, before income taxes . . . . .	\$ 7,234,855
Per share . . . . .	\$ 1.10
Depletion . . . . .	\$ 2,535,456
Depreciation . . . . .	\$ 621,500
Income taxes . . . . .	\$ —
Net Profit . . . . .	\$ 4,077,899
Per share . . . . .	\$ 0.62
Cash dividends paid . . . . .	\$ 1,515,781
Per share . . . . .	\$ 0.23
Working capital . . . . .	\$ 3,593,651
Plant, equipment and properties – net . . . . .	\$35,365,688
Other assets . . . . .	\$ 972,277
Total capital invested . . . . .	\$39,931,616
Per share . . . . .	\$ 6.05
Ratio of current assets to current liabilities . . . . .	2.70
Net profit as a percentage of capital invested at January 1 .	10.21
Net profit as a percentage of total income . . . . .	39.95
Cash generated as a percentage of total income . . . . .	70.88
Operating expenses as a percentage of total income . . . . .	29.12
Number of shares outstanding . . . . .	6,603,654
Number of shareholders . . . . .	6,443
Expenditures on plant and equipment . . . . .	\$ 840,754
Expenditures on lands, exploration and development . . . . .	\$ 6,520,632

### OPERATING

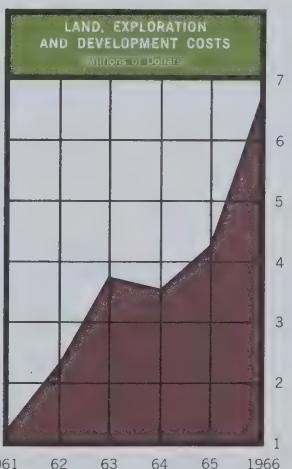
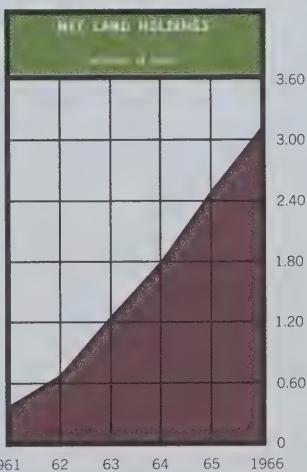
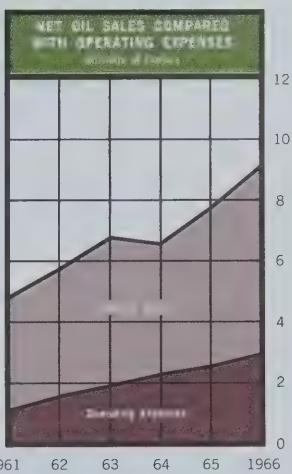
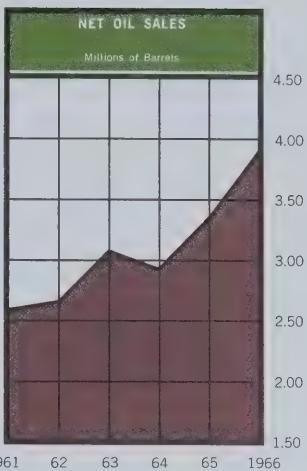
Net oil sales – barrels . . . . .	3,843,505
Daily average – barrels . . . . .	10,530
Net oil wells . . . . .	196.09
Net gas wells . . . . .	10.31
Gross royalty interest wells . . . . .	46
Gross acreage . . . . .	4,949,226
Net acreage . . . . .	3,137,389
Number of employees . . . . .	133

### NOTE –

This Summary covers Central-Del Rio Oils Limited and its wholly-owned subsidiaries and reflects retroactive adjustments due to the adoption in 1964 of the "full cost" method of accounting. Due to a non-retroactive refinement in 1966 of the Company's accounting policy, under which non-producing property lease rentals are capitalized rather than expensed, such lease rentals for 1965 and prior years are, in the interest of comparability, added to depletion instead of being shown as a separate item.

"Operating expenses" are the total of production, field, administrative and general expenses.

"Net oil sales" are the total number of barrels sold for the Company's account, after deduction of royalty oil.

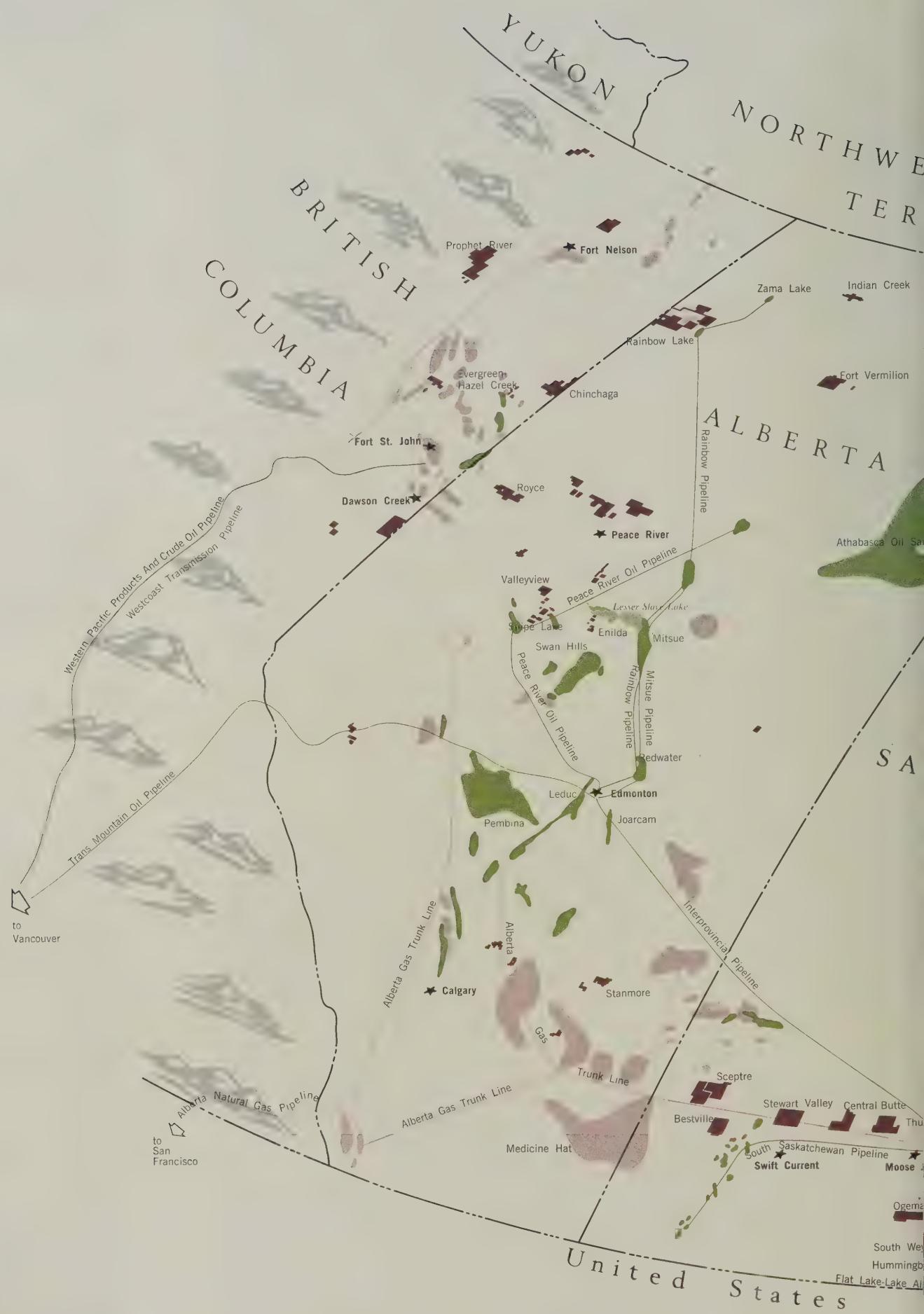


1965	1964	1963	1962	1961
7,844,781	6,527,647	6,829,625	5,796,433	4,974,326
1,013,585	1,221,302	833,065	475,080	321,964
8,858,366	7,748,949	7,662,690	6,271,513	5,296,290
1,546,211	1,432,233	1,301,749	882,599	631,806
859,346	792,393	680,558	622,259	419,815
6,452,809	5,524,323	5,680,383	4,766,655	4,244,669
0.98	0.85	0.88	0.74	0.66
2,399,891	2,651,670	2,567,610	2,404,629	1,504,352
609,214	458,353	302,470	339,662	403,480
498,835	257,009	536,951	864,045	280,146
3,277,704*	2,157,291	2,273,352	1,158,319	2,056,691
0.50	0.33	0.35	0.18	0.32
978,745	977,282	648,504	644,672	643,092
0.15	0.15	0.10	0.10	0.10
5,094,703	4,582,886	4,877,119	6,353,303	5,941,921
31,161,258	28,925,590	27,268,618	24,026,441	23,884,115
933,206	872,652	910,352	937,777	853,752
37,189,167	34,381,128	33,056,089	31,317,521	30,679,788
5.65	5.28	5.10	4.84	4.77
3.37	4.68	2.56	5.69	9.54
9.53	6.53	7.26	3.78	7.06
35.66	27.84	29.67	18.47	38.83
72.84	71.29	74.13	76.00	80.14
27.16	28.71	25.87	24.00	19.86
6,580,324	6,515,215	6,487,084	6,465,415	6,435,469
5,728	6,190	7,709	7,257	6,673
855,481	830,787	2,082,163	241,307	237,455
4,389,292	3,491,235	3,623,329	2,317,103	1,226,547
3,370,055	2,855,465	3,107,815	2,730,476	2,587,242
9,233	7,802	8,515	7,481	7,088
183.00	167.60	162.85	158.80	156.60
9.95	8.02	7.75	4.50	2.65
48	39	31	25	21
4,337,925	3,716,949	3,039,755	1,201,544	785,099
2,522,589	1,762,990	1,224,349	658,408	355,600
124	113	113	69	63

"Net oil wells" and "Net gas wells" are the total of all entire and fractional interests in wells the production from which is owned or partly owned by the Company, including wells converted to water injection and still capable of being converted to production, but excluding wells contributed by others to units in which the Company participates and former producing wells which have been abandoned.

"Gross royalty interest wells" are the total number of wells from which the Company receives cash royalties.

\* Includes special item of \$332,835 – gain on sale of marketable securities.

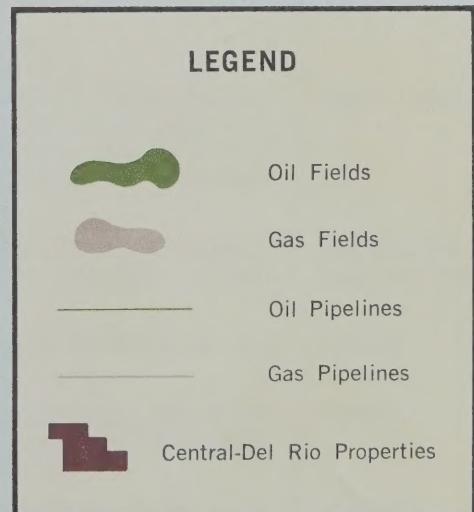
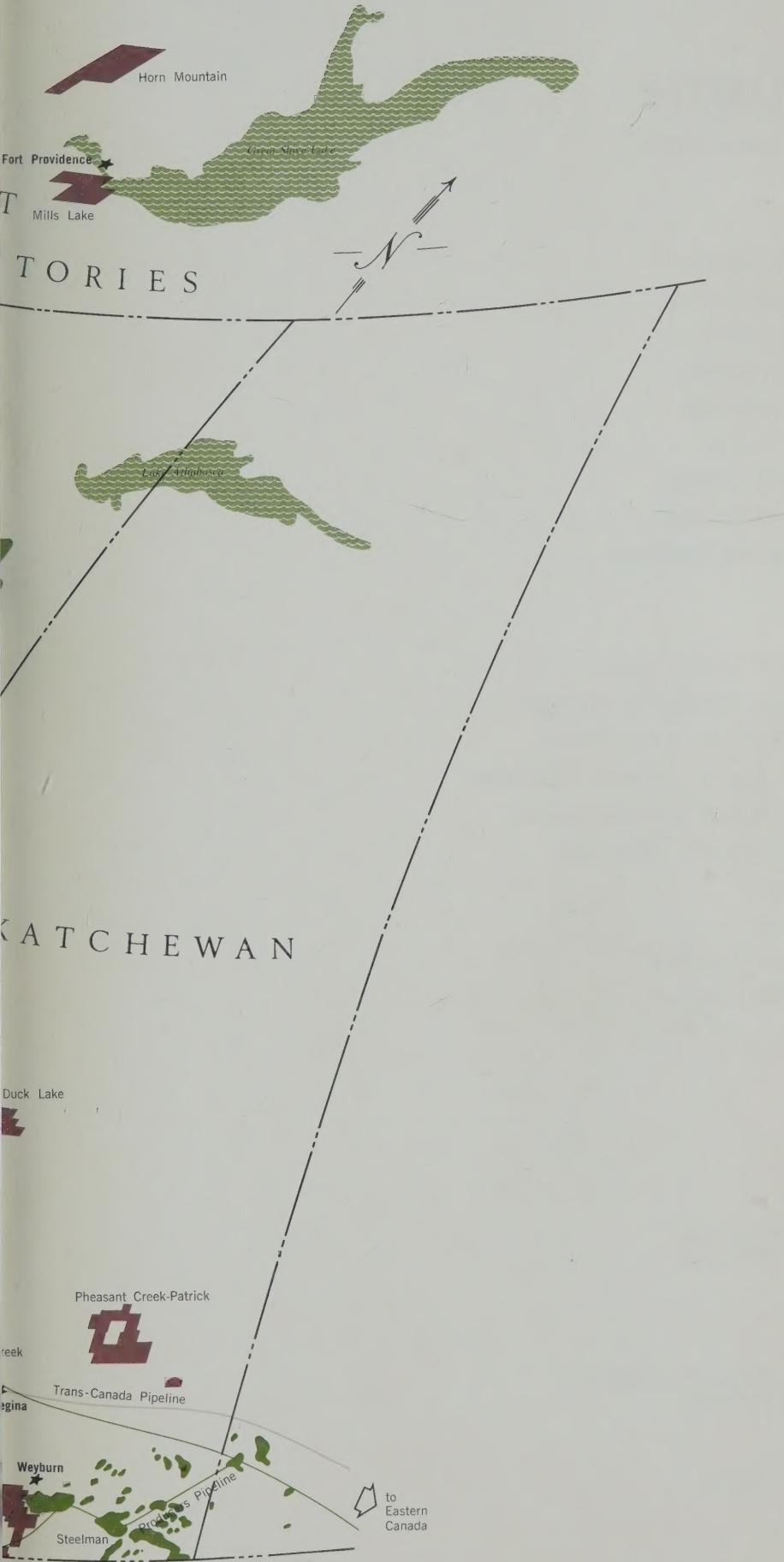


# CENTRAL-DEL RIO OILS LIMITED



## Major Holdings

Saskatchewan, Alberta,  
British Columbia  
and Northwest Territories



# CENTRAL-DEL RIO OILS LIMITED

Head Office: 736 Eighth Avenue South West, Calgary, Alberta

<b>Directors</b>	R. C. CARLILE <i>Calgary, Alberta</i> H. G. GAMMELL <i>Montreal, Quebec</i> *JOHN F. HARDY <i>Calgary, Alberta</i> *NEIL McQUEEN <i>Calgary, Alberta</i> D. L. REDMAN <i>Calgary, Alberta</i> J. C. ROSS <i>Aden, Alberta</i> F. V. STONE <i>Montreal, Quebec</i> *G. J. van den BERG <i>Montreal, Quebec</i> DONALD WINSTON <i>Los Angeles, California</i>
	* Member Executive Committee
<b>Officers</b>	NEIL McQUEEN <i>Chairman of the Board</i> JOHN F. HARDY <i>President and General Manager</i> R. W. BURNS <i>Vice President – Exploration</i> D. L. REDMAN <i>Vice President – Project Economics</i> C. M. MacINNES <i>Vice President – Administration</i> M. C. McKINNON <i>Vice President – Operations</i> A. BARRY BEAVEN <i>Secretary</i> V. B. WATSON <i>Treasurer</i> W. G. HOLT <i>Assistant Secretary</i> W. A. HEATER <i>Assistant Treasurer</i>
<b>Shares Listed</b>	CALGARY STOCK EXCHANGE MONTREAL STOCK EXCHANGE TORONTO STOCK EXCHANGE VANCOUVER STOCK EXCHANGE
<b>Registrar and Transfer Agent</b>	GUARANTY TRUST COMPANY OF CANADA Calgary - Montreal - Toronto - Vancouver
<b>Bankers</b>	THE ROYAL BANK OF CANADA
<b>Counsel</b>	MacKIMMIE, MATTHEWS, WOOD, PHILLIPS & SMITH Barristers and Solicitors - Calgary, Alberta
<b>Auditors</b>	PRICE WATERHOUSE & CO. Chartered Accountants - Calgary, Alberta





20TH  
ANNUAL REPORT  
1966

"Developing Canada's Resources"